KHEAA
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Newsletter

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- NEW EDU–Education Related Deferment Request

Higher Education Amendments of 1998 Signed into Law

by Jane Stewart

President Clinton signed into law The Higher Education Amendments of 1998 on October 7. The measure reauthorizes the Higher Education Act until 2004. Generally, the effective date is October 1, 1998, unless otherwise indicated. References to "date of enactment" mean October 7, 1998. Key provisions and impact are summarized below.

Stafford Loan Interest Rate

The current student interest rate is extended to loans first disbursed on or after October 1, 1998, and prior to July 1, 2003. The student's interest rate is the equivalent of the 91-day Treasury Bill plus 1.7% while the student is in school, grace period, or deferment, and the 91-day Treasury Bill plus 2.3% for all other periods. The maximum interest rate will remain 8.25%.

The current interest rate for lenders is also extended to July 1, 2003. The lender's interest rate is the equivalent of the 91-day Treasury Bill plus 2.2% while the student is in school, grace period, or deferment and the 91-day Treasury Bill plus 2.8% while the student is in repayment.

PLUS Loans

The current interest rate is extended to loans first disbursed on or after October 1, 1998, and prior to July 1, 2003, and is based on the 91-day Treasury Bill plus 3.1%. The maximum interest rate is 9%. Special Allowance is only paid to lenders if the final Treasury Bill auction held prior to June 1 of each year, plus 3.1%, exceeds 9%.

The bill also requires verification of immigration status and Social Security numbers for parents as currently required of students and authorizes the U.S. Department of Education (USDE) Secretary to require parents to meet "such other eligibility criteria as the Secretary may establish by regulation . . ." in addition to the "no adverse credit" test.

Consolidation Loans

The Federal Family Education Loan Program (FFELP) Consolidation Loan interest rate on applications received by the lender on or after October 1, 1998, and prior to July 1, 2003, will be the weighted average of the interest rates on the loans being consolidated rounded up to the nearest 1/8%, with a maximum rate of 8.25%. The lender's special allowance rate is the equivalent of the 91-day Treasury Bill plus 3.1%, payable during any quarter in which the borrower's rate exceeds 8.25%. Students will retain interest subsidy benefits on any subsidized loans that are included in the Consolidation Loan.

Other provisions impacting Consolidation Loans include:

- Extending the authorization to include Direct Loans in FFELP Consolidation Loans.
- Amending the definition of eligible borrowers to exclude borrowers subject to a judgment secured through litigation or an order for administrative wage garnishment.
- Exempting borrowers with multiple FFELP loan holders from making the certification that the lender holds an outstanding loan of the borrower.
- Amending the 180-day add-on provisions to include loans received before and after the date the loan was consolidated and permitting a new Consolidation Loan if the borrower receives new loans after the date of consolidation.
- Reducing the lender-paid consolidation fee from 1.05% to .62% for applications received on or after October 1, 1998, and through January 31, 1999.

Loan Disbursement Provisions

The multiple disbursement requirement is eliminated for students enrolled in a school whose cohort default rate for each of the three most recent fiscal years is less than 10% and the period of enrollment is not longer than one semester, trimester, quarter, or four months.

Schools are exempted from the 30-day delayed delivery requirements for first-time borrowers if the institution's cohort default rate is less than 10% for the three most recent fiscal years.

The disbursement provisions indicated above are effective during the period beginning October 1, 1998, and ending on September 30, 2002.

Effective October 1, 1998, students participating in a study abroad program approved by the home institution are exempted from the multiple disbursement and delayed delivery rules if the default rate of the home institution is less than 5%. The study abroad provisions are effective October 1, 1998.

Loan Delivery Initiatives

The Free Application for Federal Student Aid (FAFSA) is authorized as the application for Stafford Loans and is required for use no later than July 1, 2000. The Master Promissory Note will relieve borrowers of the burden of signing new promissory notes each time they take out new loans.

Student Eligibility

The income protection allowances were modified so as not to penalize those who work. Under the changes:

- Single, financially independent students and married independent students who are each enrolled in college and who have no dependents will have their income protection allowance increased from $3,000 to $5,000.
- Married independent students with spouses not enrolled in college will have their income protection allowance increased from $6,000 to $8,000.
- Dependent students who work will have their income protection allowance increased from $1,750 to $2,200.

The cost of computer rental or purchase may be included in the cost of attendance.

Parents attending college will be excluded from the calculation of the number of a student's family members who are in college, but the measure gives a financial aid officer the discretion to count parents in that calculation if deemed appropriate.

A student's expected family contribution will be reduced when the calculation of parental income demonstrates that the student is the primary wage earner for the family.

Financial aid officers may use professional judgment to adjust a student's expected family contribution by taking into account such matters as elementary and secondary school expenses, child-care costs, unexpected medical expenses, a recent divorce, or loss of job.

Blanket Certificate of Insurance

The bill provides for a blanket insurance agreement between a lender and a guaranty agency, allowing the lender to make loans without the guarantor's prior approval. It permits a limited number of guaranty agencies to participate in a pilot program during FY1999 and FY2000 and permits any agency to offer the blanket certificates beginning with FY2001. The agency will have the discretion to restrict the number and volume of loans covered by a blanket certificate of insurance.

Repayment Plans

Lenders are required to offer borrowers with debts in excess of $30,000 the option to repay under an extended repayment schedule. The plan must be offered in addition to the current graduated and income-sensitive repayment plans. The length of the repayment period is based upon the amount owed and may not exceed 25 years. This provision is effective for loans made to new borrowers on or after the date of enactment.

The amendments specifically permit borrowers to change repayment plans annually.

Forbearance

The amendments eliminate the requirement for a borrower to request a forbearance in writing, but retain the requirement for a written agreement. Forbearances are also permitted for up to 60 days if the lender determines that suspension of collection activity is warranted following a borrower's request for deferment, forbearance, a change in repayment plan, or a request for consolidation in order to collect or process supporting documentation related to the request. Interest may not be capitalized during this period.

Disclosures

The lender must provide the borrower with a notice at the time of offering a loan and at the time of offering repayment options. The notice must disclose (1) that all borrowers are eligible for income-sensitive repayment, including by loan consolidation; (2) procedures by which the borrower can elect income-sensitive repayment; and (3) where and how the borrower may obtain additional information concerning income-sensitive repayment.

The origination and repayment disclosures must be in simple and understandable terms and may be made electronically. The origination disclosure may be made as part of the application material. Both disclosures must include the lender's telephone number and may include an electronic address through which additional information can be obtained.

Loan Forgiveness

Under certain circumstances, up to $5,000 of student loan debt that is outstanding after the completion of the fifth complete school year of teaching may be forgiven if the borrower teaches in a school that qualifies for the Perkins discharge. This provision applies to new borrowers on or after October 1, 1998.

A partial loan forgiveness demonstration program was authorized for students who complete a degree in early childhood education, obtain employment in an early childhood facility, and work full time for two consecutive years as a child-care provider in a low-income community. This provision is effective for new borrowers on or after the date of enactment and is subject to the availability of annual appropriations.

Definition of Default

The legislation extends the legal definition of default from 180 days to 270 days for loans on which the first day of delinquency is on or after the date of enactment.

Loan Discharge

The amendments prohibit the discharge of federal education loans through bankruptcy unless a bankruptcy court finds that payment of the obligation would place an undue financial hardship on the borrower. Under current law, student loans may generally be discharged through bankruptcy if the loan has been in repayment for more than seven years. The amendments eliminate the seven-year exception.

Additionally, the amendments permit the discharge of a borrower's obligation to repay the portion of a school refund due if the school failed to make a required refund of loan proceeds.

Voluntary Flexible Agreements

The USDE Secretary is authorized to enter into up to six Voluntary Flexible Agreements (VFA) with guaranty agencies in lieu of their current guaranty agreements. The Secretary may waive or modify any requirement of the agreements, but may not waive requirements relating to loan terms and conditions, default claim payments made to lenders, or inducement prohibitions unless the Secretary determines that such waivers are consistent with VFAs and are limited to the activities within the state or states for which the guarantor is the designated agency. If the Secretary grants inducement waivers, any guaranty agency doing business with the affected state may request an identical waiver under the same terms and conditions. In addition, VFAs must require uniform lender participation and may not restrict the student's choice of lender. The content of VFAs must be made publicly available. Any guaranty agency may enter into such agreements beginning with FY2002.

Annual Loan Limits

The current prorated subsidized loan limits for first-year students enrolled in programs that are less than one year in length have been amended. The maximum loan for such students is determined by dividing the program length by an academic year and multiplying that ratio by $2,625. The unsubsidized loan limits for first- and second-year students have been amended to require proration for students enrolled in a program of study that is less than one year in length. The maximum loan amount is determined by dividing the program length by an academic year and multiplying that ratio by $4,000.

The annual subsidized loan limits for students enrolled in a course of study necessary for enrollment in a degree program are $2,625 for undergraduate degree or certificate programs and $5,500 for graduate and professional degree or certificate programs. The unsubsidized limits for these students have been amended to $4,000 for undergraduate degree or certificate programs and $5,000 for course work necessary for enrollment in a graduate or professional program.

The annual subsidized loan limit for a student with a baccalaureate degree who is enrolled in a program needed for state certification for employment as a teacher in an elementary or secondary school is $5,500. The unsubsidized loan limits for these students have been amended to $5,000.

Capitalized Interest

The interest on unsubsidized loans for which payments of principal are not required during the in-school, grace, or any deferment period may be paid monthly or quarterly or capitalized when the loan enters repayment, at the expiration of the grace period, at the end of a deferment or forbearance, or when the borrower defaults. Capitalization does not count against the borrower's annual loan limit.

Deferments

The requirement for some borrowers to obtain a new loan in order to qualify for a half-time enrollment deferment has been repealed. Unemployment deferments may be granted with no additional paperwork if the borrower provides evidence of eligibility for unemployment benefits.

Lenders may determine eligibility for deferment based on the receipt of (1) a request from the borrower along with documentation of eligibility, (2) a newly completed loan application that documents eligibility, or (3) student status information that documents that the borrower is enrolled at least half time.

Inducements

Guaranty agencies are prohibited from sending unsolicited loan applications to students enrolled in secondary or postsecondary schools or to parents of such students unless the borrower previously received a loan guaranteed by the agency.

A provision was added which states that it is not an inducement if a guaranty agency or lender provides assistance to institutions comparable to the kinds of assistance provided to institutions by the USDE.

Grace Periods

The Act has been amended to exclude from the grace period any period (for up to three years) during which the student was called or ordered to active duty from a reserve component of the Armed Forces of the United States. The call to duty must be for a period of more than 30 days. The period of exclusion includes the period necessary to resume enrollment at the borrower's next available regularly scheduled enrollment period.

New Guarantor Finance Model

The bill provides for a new guarantor finance model which separates KHEAA's current federally restricted reserve fund into two new funds—a Federal Student Loan Reserve Fund for the payment of claims and default aversion fees and a KHEAA-owned Operating Fund for all other expenses. Under current law, all FFELP reserves are the property of the federal government. The new law authorizes KHEAA to use revenues from the Operating Fund for student financial assistance activities determined by KHEAA and restricts the USDE from regulating uses of the Operating Fund under certain circumstances.

The bill also makes changes to agency revenues. These changes include:

- A reduction in the reinsurance rates on defaulted loans from 98% to 95%. Lenders would continue to be reimbursed at the current rate of 98%.
- A reduction in collection retention on amounts recovered from defaulted loans. The retention amount is reduced from 27% to 24% until September 30, 2003, and reduced to 23% thereafter.
- A change in the fee structure for successful default aversion activities. The law authorizes guaranty agencies to transfer a default aversion fee from the Federal Student Loan Reserve Fund to the Operating Fund for each delinquent account subsequently brought current. The fee amount is 1% of the unpaid principal and interest. Under current law, KHEAA receives a supplemental preclaim assistance payment of 1% if default is averted for a specified period of time. The new standard of returning the loan to a current status creates a much tougher standard.
- The Administrative Expense Allowance is renamed the Loan Processing and Issuance Fee and is reduced from .85% to .65% based on new loan volume. The fee is deposited into the Operating Fund. The amount of the fee is further reduced to .40% for loans insured

during fiscal years beginning on or after October 1, 2003. The bill provides that agencies have a contractual right against the USDE to receive the fee, as opposed to the discretionary expenditure from USDE Direct Loan administrative funds authorized under current law.

- A new portfolio maintenance fee will be paid by USDE (from the Direct Loan Administrative Funds) to the Operating Fund for the administrative costs associated with maintaining an agency's existing loan portfolio. The fee is .12% of the original principal of outstanding loans for FY1999 and FY2000 and reduced to .10% thereafter.
- A $250 million reserve recall from the Federal Student Loan Reserve Fund is made and prorated among the guaranty agencies. Under the reserve recall, agencies will collectively return $85 million to the federal government in 2002, $82.5 million in 2006, and $82.5 million in 2007.

Cohort Default Rates

Institutions that lose their eligibility to participate in FFELP or Direct Loan Programs because of a high cohort default rate will lose their eligibility to participate in the Pell Grant program. However, new mitigating circumstance language will make it easier for institutions to retain their participation eligibility. Institutions may be exempted from the cohort default rate cutoff if (1) two-thirds of those enrolled on at least a half-time basis receive at least one-half the maximum Pell Grant or have a family adjusted gross income of less than the poverty level; (2) in the case of a degree-granting institution, at the end of the year 70% or more of students initially enrolled on a full-time basis graduate, transfer, enter the military, or continue to make satisfactory progress toward a degree; or (3) in the case of a nondegree-granting institution, the job placement rate is 44% or higher. The current exemption from the cohort default rate cutoff for historically black colleges and universities, Hispanic-serving institutions, and tribal colleges remains in effect until July 1, 1999, with authority for the Secretary to extend the exemption for an additional three years.

Several changes were made regarding simplification. For example, unannounced site visits are no longer required as part of either the accreditation or recertification processes. Campuses will have copies of all guidelines and procedures used in program reviews and will be allowed to "cure" minor record keeping or accounting errors during the program review process.

Performance Based Organization

A Performance Based Organization (PBO) is to be established within the USDE to be responsible for the operation of the student aid delivery system. The PBO will be headed by a nonpolitical, noncivil service Chief Operating Officer. In addition, a student loan ombudsman position will be created within the PBO to assist borrowers in solving problems associated with their student loans.

Refund Policy

The current policy on refunds is rewritten to apply only to the return of Title IV student aid funds. Under current law, the federal refund policy applies to all student aid, including institutional aid. The Act stipulates that the amount of federal funds to be returned is calculated based on the percentage of the term a student has completed. No federal funds must be returned for students who withdraw after they have completed 60% of the term. When students fail to notify an institution that they have withdrawn, and the institution has no documentation of the date of withdrawal, it must return Title IV funds for 50% of the term.

Annual Lender Audit

The new law makes a permanent change to exempt small lenders from annual audit requirements. The audit is required of any lender that originates or holds more than $5 million in Title IV loans for any lender fiscal year.

State Student Incentive Grant (SSIG)

The SSIG program is renamed the Leveraging Educational Assistance Partnership (LEAP) program. The SSIG program is part of KHEAA's CAP Grant program. If federal appropriations for the current SSIG program exceed $30 million, states will be required to match those funds at 66.33% rather than the current 50%. However, states will have new flexibility to use the combined funds for their current program or new activities such as early college awareness or college transition programs, merit-based aid, or aid to students who participate in community service.

Experimental Sites and Quality Assurance

The authority for existing experimental sites is continued, but new restrictions on how sites may operate after June 30, 1999, are introduced. Beginning on that date, all new and existing sites must operate only as time-limited experiments designed to assist the Secretary in evaluating the impact and effectiveness of proposed regulations or new management initiatives. The Quality Assurance Program is extended to allow institutions to develop their own systems for processing and disbursing aid as well as for verifying student aid applicant information.

Union Planters National Bank Selects KHEAA for Loan Origination Services

by Mary Alice Wilkinson

We are pleased to announce that Union Planters National Bank has chosen KHEAA to provide Federal Stafford and PLUS Loan origination and disbursement services on behalf of its customers effective October 1, 1998. All loan applications for Union Planters National Bank (Lender #810698) should be mailed to the following address:

Union Planters National Bank/
KHEAA Origination Services
P.O. Box 4125
Frankfort, KY 40604-4125

The loans KHEAA originates on behalf of Union Planters National Bank will be serviced by edsouth. Any questions relating to the origination of these loans can be directed to KHEAA Origination Services Branch at (800) 564-6068. Questions relating to the servicing of these loans should be directed to edsouth at (423) 691-5626.

The following indicates the mailing address to which loan applications should be mailed for lenders currently participating in KHEAA Origination Services:

Bank of Louisville
P.O. Box 4310
Frankfort, KY 40604-4310
Lender #804283

Bank One Education Finance Group
P.O. Box 4230
Frankfort, KY 40604-4230
Lender #821087

Chase Manhattan Bank
P.O. Box 4267
Frankfort, KY 40604-4267
Lender #807807

edsouth
P.O. Box 4270
Frankfort, KY 40604-4270
Lender #831453

Fifth Third Bank
P.O. Box 4190
Frankfort, KY 40604-4190
Lender #808780

Kentucky Higher Education
Student Loan Corporation
P.O. Box 4250
Frankfort, KY 40604-4250
Lender #826688

National City Bank, KY
P.O. Box 4266
Frankfort, KY 40604-4266
Lender #804959

PNC Bank, NA
P.O. Box 4170
Frankfort, KY 40604-4170
Lender #809921

The Provident Bank
P.O. Box 4228
Frankfort, KY 40604-4228
Lender #808923

Star Bank, NA
P.O. Box 4206
Frankfort, KY 40604-4206
Lender #808628

IRS Restructuring and Reform Act of 1998 Enacted

by David Rayborn

The Taxpayer Relief Act of 1997 (TRA97) made two tax credits available to individuals who pay tuition to postsecondary institutions—the Hope Scholarship Credit and the Lifetime Learning Credit. In an effort to reduce fraudulent reporting of these tax credits, Section 6050S of the Internal Revenue Code, enacted by TRA97, requires colleges to collect and submit information to the Internal Revenue Service (IRS) on every student enrolled at any time during the year. Colleges are also required to mail a copy of that report to the individuals named on the information return. Pending the issuance of regulations by the Treasury Department regarding the requirements of Section 6050S, IRS Notice 97-73 was issued to describe who must report information along with specific information reporting requirements for 1998. IRS Notice 97-73 requires that information returns be filed with the IRS by March 1, 1999, and that the individual must be provided his or her copy by February 1, 1999. The student's statement may be a copy of the Form 1098-T, the information return filed with the IRS, or an acceptable substitute statement. A properly completed Form 1098-T must include:

- The name, address, and Social Security number of the student for whom payments of qualified tuition and related expenses were received.
- The name, address, and TIN (Employer ID#) of the eligible educational institution.
- An indication of whether the student was enrolled at least half time during the year.
- An indication of whether the student was enrolled exclusively in a program leading to a graduate-level degree, certificate, or other recognized graduate-level educational credential.

Because of the relatively brief time between the law's passage in August 1997 and the beginning of the 1998 calendar year, the Treasury Department was unable to promulgate regulations. Therefore, IRS Notice 97-73 provided schools a "waiver of penalties" for failure to meet the IRS reporting guidelines. Under the waiver, schools are assured that until the regulations are adopted, no penalties will be imposed for failure to file correct information returns or to furnish statements/copies of information returns to the students. Furthermore, even after the regulations are adopted, no penalties will be imposed for failure to file returns or furnish correct written statements for 1998 if the institution made a good faith effort to file information returns and furnish statements.

On July 22, 1998, President Clinton signed into law the Internal Revenue Service Restructuring and Reform Act of 1998 (PL 105-206). The new law brought about several changes to current provisions. Some of the clarifications made by the bill are listed below.

Student Loan Interest Rate Deductibility

- Only a taxpayer who is required to make interest payments under the terms of the loan may deduct such payments as student loan interest.
- A "qualified education loan" under TRA97 means any indebtedness incurred solely to pay for qualified higher education expenses. Therefore, revolving lines of credit generally would not qualify as a "qualified education loan" unless the borrower agreed to use the line of credit exclusively to pay for qualifying education expenses.

Education IRAs

- TRA97 authorized education IRAs. The new law specifies that new beneficiaries must be under 30 years of age for tax-free rollovers and changes in designated beneficiaries.

Institutional Reporting Requirements

- The law relaxes the reporting requirements under Section 6050S for schools.
- Institutions will have to report (1) the aggregate amount of qualified tuition and related expenses, (2) any grant amount (whether or not excludable from income) received by the individual for payment of costs of attendance that was processed through the institution during the applicable calendar year, and (3) the aggregate amount of reimbursements and/or refunds paid to the individual during the calendar year by the institution.

On August 20, 1998, the IRS and Treasury issued IRS Notice 98-46 extending the 1998 Hope Scholarship and Lifetime Learning tax credit reporting requirements to the 1999 tax year. Schools will report the same items in both 1998 and 1999. Notice 98-46 outlines some of the major changes that resulted from amendments to Section 6050S made by the IRS Restructuring Act of 1998 (PL #105-206). P.L. 105-206 clarified that schools are to report a gross tuition figure and a gross grant figure rather than trying to determine a net figure. This would have required schools to determine which grants paid tuition charges and which grants paid other institutional charges. According to IRS Notice 98-46, the Treasury Department intends to issue regulations soon on the information reporting requirements of Section 6050S. However, until those regulations are issued, the IRS is extending the application of IRS Notice 97-73 for an additional year. Consequently, the waivers and other provisions afforded schools under IRS Notice 97-73 are extended to information reporting required for 1999. IRS Notice 98-46 can be accessed at the National Association of College and University Business Officers (NACUBO) Web site at www.nacubo.org/website/members/issues/bulletins/irsnotices/9846.html.

The form 1098-T for 1999 must be filed with the IRS by February 28, 2000, if filed on paper or by magnetic media, or by March 31, 2000, if filed electronically. A statement containing the same information as the Form 1098-T must be furnished to the student by January 31, 2000.

Designated Teacher Shortage Areas for 1998-99 School Year Announced

by David Rayborn

The chief state school officer of each state annually sends USDE a proposed list of Teacher Shortage Areas. These proposals are reviewed, and USDE determines the Teacher Shortage Areas that will be recognized for the subsequent school year. The regulations define a Teacher Shortage Area as (1) a geographic region of the state in which there is a shortage of elementary or secondary school teachers or (2) a specific grade level or academic, instructional, subject matter, or discipline classification in which there is a statewide shortage of elementary or secondary school teachers. Education officials in Kentucky and Alabama have been notified that the following Teacher Shortage Areas have been approved for the 1998-99 school year:

Kentucky
Alternative School
Art
Foreign Languages (Secondary)
Hearing Impaired
Learning Disabled (K-12)
Music
Physically Disabled (K-12)
School Media Librarian (K-12)
Science
Technology Education (5-12)

Alabama
Emotionally Conflicted (K-12)
Learning Disabled (K-12)
Mental Retardation (K-12)

These designations enable borrowers who had no outstanding FFELP loan on July 1, 1987, but who had an outstanding FFELP loan on July 1, 1993, to qualify for deferment of loan repayment under the Federal Stafford and Federal Supplemental Loans for Students (SLS) programs. Additional clarification on the Teacher Shortage Area Deferment is available in Section 7.10.N. of the *Common Manual*.

The designation of Teacher Shortage Areas also permits Paul Douglas Teacher Scholarship recipients to qualify for a reduction of their teaching obligation. Paul Douglas recipients who teach in approved Teacher Shortage Areas are able to fulfill their teaching obligation on a year-for-year basis instead of the normal two years of teaching required for each year of scholarship assistance received. Principals at the schools in which the FFELP borrower or Paul Douglas Scholar teaches have been granted authority to provide certification that the individual has taught in a federally designated Teacher Shortage Area. Paul Douglas recipients with questions should contact the state agency that awarded the scholarship.

Information regarding designated Teacher Shortage Areas for states other than Kentucky or Alabama may be obtained by calling David Rayborn at (502) 696-7273 or (800) 928-8926, extension 7273.

Final 1999-2000 FAFSA Available On IFAP Web Site

by David Rayborn

The final 1999-2000 FAFSA is now available in Portable Document Format (PDF) on USDE’s Information for Financial Aid Professionals (IFAP) Web site. It should be noted, however, this file is for information purposes only and must not be submitted.

To access the final 1999-2000 FAFSA:

- Go to the IFAP at http://ifap.ed.gov.
- Click on the “Bookshelf” icon.
- Select “FAFSA and Renewal FAFSA Forms and Instructions.”
- Click on the “By 1999-2000 Award Year” selection.
- Choose “FAFSA Instructions.”
- Click on the red icon for the PDF file.

The PDF file can be read utilizing the Adobe Acrobat Reader software. The file also contains the final IRS line items and state deadlines for the 1999-2000 award year.

If you need assistance in accessing this file, call David Rayborn at (502) 696-7273 or (800) 928-8926, extension 7273.

Invest In Your Future

by Mark Maidlow

KHEAA recently published *Invest in Your Future*, an entrance interview loan counseling package designed to assist schools in counseling students on their rights and responsibilities as student loan borrowers. Available both in paper and online, *Invest in Your Future* meets all federal guidelines for financial aid office counseling requirements (schools with high default rates may be required to meet additional measures as described in 34 CFR 668 Appendix D). *Invest in Your Future* includes valuable information on borrowing strategies, borrowers' rights and responsibilities, repayment options, and the consequences of default. The paper version includes a (1) borrower test, (2) budget worksheet, and (3) three-part form designed to collect required demographic information. The on-line version is very similar, but allows students to complete the required counseling from any location with Internet access. Students complete the test and necessary forms online and send an electronic acknowledgment to KHEAA and their school.

To participate online, schools may register at www.kheaa.com. KHEAA offers schools several options for receiving confirmation that their students have completed on-line loan counseling. You may receive an e-mail notification for each student, or confirmations can be batched in an electronic file accessible via the Web site. Students may also print the confirmation page and bring it to your office.

Paper copies of *Invest in Your Future* are available for schools that use KHEAA as a guarantor. To order, call Mark Maidlow at (800) 928-8926, extension 7276, or e-mail mmaidlow@kheaa.com.

KHEAA is currently developing an exit interview loan counseling package that will be available online sometime in November; the decision to print a paper version has not been made. If your school is interested in utilizing a paper version of the exit interview loan counseling package, contact Mark Maidlow.

Default Aversion Approaches

by Judith Lang

Default prevention is one of KHEAA's main goals. To achieve additional levels of proficiency, the Default Aversion Section was expanded in March 1996 to include Borrower Advocates. The Kentucky and Alabama Default Aversion staff are helping to meet the challenge of lowering the default rate by working with borrowers on an individual basis and addressing the specific conditions that have resulted in their loans becoming delinquent.

The Default Aversion Section has been continually expanding skip tracing activities requested by lenders and schools. The use of Fast Data/First Pursuit, directory assistance, Internet search, and various other means enable the section to locate borrowers that may be in potential default. KHEAA has signed a contract with Tennessee to obtain employment information and is currently negotiating with Alabama for drivers' license information. The use of these tools makes the world a little smaller and yields much better results in locating "skips." Once borrowers are located, the schools or lenders are notified of their location.

A new predictive dialing system, installed in March 1998, has allowed the unit to contact a greater number of borrowers during the daytime hours. The section began evening calling hours in May 1998. This measure has increased borrower contact by over 30%. Dialer attempts that receive no answer for two consecutive days are called during the evening. Calls are also being made on accounts that are 130 days past due. To emphasize the consequences of a defaulted loan, these accounts are called until the preclaim is cancelled or the default is paid.

A new brochure has been developed for distribution to schools' financial aid offices for use in entrance and exit counseling. The new *Road Map to Repayment* brochure encourages students to look at their repayment options closely before beginning payments on their loans.

The individual attention given to borrowers by the lenders/servicers, schools, and the Default Aversion Sections in both Kentucky and Alabama has contributed to more than a 12% reduction of claims paid in the last fiscal year. Growth, development, and added emphasis in the default aversion program, for 1999 and the new millennium, should continue to substantially lower the default rate. That is KHEAA's commitment for the future.

1998 KHEAA Lender Conference

by Mark Maidlow

KHEAA hosted the third annual KHEAA Lender Conference on September 24, 1998, at the Holiday Inn Hurstbourne in Louisville. This conference offers lender representatives and other professionals in the student aid community the opportunity to meet on an annual basis to discuss issues of importance to the student loan industry. This year's conference focused on the highly critical issues of reauthorization, default aversion, and the Master Promissory Note. KHEAA speakers included Paul Borden, who opened the conference with a few words of welcome; Jane Stewart, who addressed the complicated subject of reauthorization by comparing the House and Senate bills; Judy Lang and DeDe Conner, who showcased KHEAA's default aversion activities and on-line entrance counseling; Rich Nickel and DeDe Conner, who analyzed the features and benefits of the Master Promissory Note; and Londa Wolanin, who closed the conference with a few appropriate remarks. Two guest speakers, Carol Supri of Troy State University and Elaine Larson of Centre College, addressed the loan process from the school perspective.

Approximately 40 professionals attended the conference that began at 8 a.m. and ended around 4 p.m. Conferees made significant contributions through insightful observations and some lively debate. KHEAA staff were pleased with all aspects of the conference and look forward to hosting one again next year.

Kentucky Coal Council/KESPT Scholarships Awarded

by Jo Carole Ellis

The first winners of the annual Coal Education Savings Plan Trust Competition were presented their awards during August and September. In December 1997, the Trust signed an agreement with the Kentucky Coal Council to administer Trust accounts for scholarships awarded by the Council through its competitive statewide coal education scholarship program. Seven fourth and fifth graders across the Commonwealth were awarded $5,000 scholarships deposited into Trust accounts. Jo Carole Ellis represented the Trust at scholarship presentations made at A. M. Yealey Elementary, Florence; Stanford Elementary, Stanford; Cannonsburg Elementary, Ashland; and R. W. Combs Elementary, Happy. The remaining three winners attend Cuba Elementary, Mayfield; Vine Grove Elementary, Vine Grove; and Bardstown Middle School, Bardstown.

Default Aversion Posters

by Judith Lang

Awareness is key to any successful program, and KHEAA has designed two new posters to promote responsible borrowing. The posters are targeted for both high school and college students. A contest, initiated by KHEAA's Guarantee Operations Section, encouraged employees to submit their ideas for posters.

Heather Davenport, Guarantee Operations Section, won first place and is responsible for a poster that is being distributed to financial aid offices at postsecondary schools in Alabama and Kentucky. Her poster is titled *Use Your Head!* and features *The Thinker*. The poster stresses that getting a student loan is not a free ride and must be repaid by the borrower.

To attract the attention of high school students, Donna Jones, Default Aversion Section, submitted her idea and won second place for her creative thinking. Her poster is being distributed to high school guidance counselors in Alabama and Kentucky. It is titled *Up in the air about your future?* and features a hot air balloon. The poster stresses alternatives to borrowing, such as grants and scholarships, as well as student loans.

To request additional posters, schools should call Raymond Lightfoot at (800) 928-5327.

CommonLine℠ News

by Robin Buchholz

KHEAA is still actively involved in CommonLine℠ standardization efforts. Representatives from KHEAA's Guarantee Operations Section and Division of Information Resources and Technology attend the CommonLine℠ Committee meetings. The NCHELP CommonLine℠ Committee meetings include representatives from guarantors, lenders, servicers, and schools. If you have questions or comments for the CommonLine℠ Committee or would like to get personally involved, please contact us. We would be happy to answer any questions, relay any of your concerns to the committee, or help you become a participant in committee meetings.

KHEAA currently accepts both CommonLine 96 and Release 3 versions. This includes the Application and Application Response, Disbursement Roster and Disbursement Roster Acknowledgment, and Change Transaction files. We are working with the CommonLine℠ Committee on development of a new release, Release 4, which will accommodate the implementation of the Master Promissory Note.

For more information about CommonLine℠, call Robin Buchholz at (800) 617-2699, extension 7240.

New KHEAA Change Processing Forms Available

by Robin Buchholz

KHEAA is pleased to introduce two new change processing forms. Several schools felt that the processing of loan changes and the return of funds would be simplified if they could complete a standard request form to forward to KHEAA or to the lender. In response to the schools' suggestions, KHEAA has developed two types of change processing forms to distribute to schools.

The change processing forms may be used for changing loan information and for requesting loan cancellation. Both forms contain three parts—a school, lender/servicer, and guarantor copy. Each school should keep its copy and send the other copies to KHEAA. Schools can produce an electronic version of the forms or may request a supply of the forms. The change processing forms include:

✓ The *KHEAA Origination Services and EFT Escrow Returned Funds* form, which should be used only when returning funds to KHEAA that were initially disbursed by KHEAA on behalf of lenders participating in KHEAA Origination Services or KHEAA's EFT Escrow Service.

✓ The *KHEAA Loan Data Change Request Prior to a Loan Being Fully Disbursed* form, which should be used to request a loan or disbursement change when no corresponding funds are being returned.

To request a supply of the change processing forms, call Heather Davenport at (800) 617-2699, extension 7244; fax (502) 696-7305; or e-mail hdavenport@kheaa.com. If you have any questions regarding the new forms or envelope, call Robin Buchholz at (800) 617-2699, extension 7240, or (502) 696-7240 or e-mail rbuchholz@kheaa.com.

USDE Encourages Schools to Apply to Participate in the Quality Assurance Program

by David Rayborn

USDE has issued a Notice dated September 9, 1998, stating its intention to expand the Quality Assurance (QA) Program by increasing the number of schools that participate. The notice advised higher education institutions that administer one or more Title IV programs and are not currently participating in the QA Program to submit a letter of application to participate beginning with the 1998-1999 award year. Applications may be submitted anytime after September 9, 1998, and the Secretary anticipates that the review of applications will begin within 45 days of that date. The review of the applications will be on the basis of demonstrated institutional performance and information in the application letter that reflects the institution's commitment to the Secretary's Quality Assurance goals, including:

- Improving the accuracy of Title IV student aid awards.
- Increasing institutional flexibility in managing student aid funds while maintaining accountability for the proper use of those funds.
- Encouraging the development of innovative management approaches.
- Placing responsibility for quality control and quality improvement at the point where funds and services are delivered—the institution.

Institutions that currently participate in the program may continue to do so without submitting new applications.

Begun on a pilot basis in 1985, the QA Program permits participating institutions to develop and implement their own comprehensive systems to verify student financial aid application data. There are 142 schools currently participating in the QA Program, and the Secretary has exempted these schools from several provisions of the Student Assistance General Provisions regulations relating to verification. The program is a partnership between USDE and participating institutions where both parties are engaged in promoting improvement in administration and delivery of student financial assistance programs and services. Institutions evaluate their verification procedures, adopt improvements in these procedures, test the effects of those improvements, and adopt additional improvements.

To apply to participate in the QA Program, schools are instructed to mail a letter of application to:

Barbara Mroz
U.S. Department of Education
600 Independence Avenue, SW
Room 3925, ROB-3
Washington, DC 20202-5232

The letter of application may also be faxed to (202) 708-9485 or submitted electronically to Mr. Warren Farr at Warren_Farr@Ed.gov or Mr. John Hill at John_Hill@Ed.gov.

New Routing Envelopes for Schools Now Available

by Heather Boutell

Schools may now use new routing envelopes (marked APP Express) to send completed applications to KHEAA. Schools collecting loan applications from students should benefit from this new process. The routing envelope was developed in response to several schools' requests to be able to send all loan applications to one source rather than routing applications to separate lenders or KHEAA P.O. boxes. The self-addressed envelopes are postage-paid.

Before sending applications, please review them to determine accuracy and ensure the student has fully completed the application. Lender names and lender numbers must be indicated on the forms. When KHEAA receives the applications, they will be forwarded to the appropriate lenders as indicated on the applications.

If the indicated lenders do not participate in KHEAA's Origination Services, sending the applications first to us will delay processing due to additional mail time. We recommend that schools continue to send applications directly to the appropriate lender if KHEAA does not originate on the lender's behalf. Students should continue to send completed applications to their lenders. Routing envelopes are for school use.

To obtain a supply of envelopes, call Heather Davenport at (800) 617-2699, extension 7244; fax (502) 696-7305; or e-mail hdavenport@kheaa.com.

Guidance Issued Regarding HEAL Program Phaseout and Aggregate Limits for Health Professions Students

by David Rayborn

USDE remains committed to assisting health professions students who cannot borrow under the Health Education Assistance Loan (HEAL) Program because of the phaseout of that program. Accordingly, the authority of certain eligible institutions to award increased annual loan amounts of Unsubsidized Stafford Loans has been extended into the 1998-99 academic year.

Guidance regarding this extension and information on aggregate limits for health professions students was provided in a Dear Colleague Letter (GEN-98-18) which was issued in August. Some of the guidance provided includes the following:

- Eligible institutions may award increased amounts of unsubsidized loans in the FFELP and Direct Loan programs for any loan period that begins prior to July 1, 1999. To award unsubsidized loans in excess of current maximums, a school must have made HEAL disbursements during FY1995 and not have withdrawn from the program since that time.
- For loan periods that begin on or after May 15, 1998, institutions may award the increased amounts to all otherwise eligible health professions students without regard to those students' earlier eligibility for HEAL. Under the terms of the HEAL phaseout, students who had previously received HEAL loans remained eligible for HEAL and, therefore, were not eligible for increased unsubsidized amounts under FFELP. However, the budgetary plan for the phaseout of HEAL included funding levels only through Federal Fiscal Year 1998 (FY98), which ends on September 30, 1998. Additionally, USDE recognized, when the Dear Colleague Letter was published in August, that most, if not all, of the insurance authority for FY98 has been used, even though the fiscal year does not end until September 30, 1998. Therefore, many health professions students who previously participated in HEAL will not be able to receive HEAL loans for the 1998-99 academic year. Consequently, in order to ensure the availability of loan funds for these students, a change is being made in the student eligibility requirements for the receipt of additional unsubsidized loans under FFELP. For loan periods beginning on or after May 15, 1998, eligible schools may award the increased amount of unsubsidized loans to all otherwise eligible health professions students, even if those students had previously participated in the HEAL program. However, no students may receive the additional unsubsidized funding under USDE's loan programs if they are also receiving funding under HEAL for the same, or any portion of the same, loan period.
- Consistent with Title IV requirements, a dependent undergraduate health professions student may receive the increased amounts of unsubsidized loans only if the student's parent is unable to receive a PLUS Loan.
- The additional unsubsidized loan amount an eligible student may receive because of the phaseout of HEAL is in addition to any unsubsidized loan eligibility the student would have under the FFELP and Direct Loan programs.
- The aggregate loan limit for unsubsidized loans for graduate and professional health professions students

who are eligible to receive additional unsubsidized loan amounts is $189,125, less the aggregate amount of any subsidized loans made to the student.

- The only undergraduate program that has been eligible for HEAL loans is the five-year Bachelor of Pharmacology program. USDE is establishing an aggregate unsubsidized loan limit of $70,625, less the aggregate amount of any subsidized loans made to the student, for those undergraduate pharmacy students who are eligible to receive increased amounts of unsubsidized loans because of the phaseout of HEAL.

If you need additional information regarding the effects of this Dear Colleague Letter, call Mark Maidlow at (502) 696-7276 or (800) 928-8926, extension 7276.

New Column Added to KHEAA's Applications Processed Reports for Lenders

by Robin Buchholz

KHEAA has added an additional column to the Lender's Stafford Loan and PLUS Loan Applications Processed Reports. The new column's heading reads "Pre 7/87 Loans." This column was added at the request of one of our lenders to aid in their determination of deferment eligibility. The column will be populated with a "Y" if the borrower has loans guaranteed through KHEAA prior to July 1, 1987. The new column was added to the reports on August 20, 1998.

The Lender's Stafford Loan and PLUS Loan Applications Processed Reports are generated daily (Monday–Friday) and reflect applications that were processed for guarantee on a particular day. Lenders are sent these Stafford Loan and PLUS Loan Applications Processed Reports on a daily basis, and they indicate the borrowers for that lender who had applications that were processed for guarantee that day.

If you have any questions regarding this enhancement to the Applications Processed Reports, call Robin Buchholz at (800) 617-2699, extension 7240, or e-mail rbuchholz@kheaa.com.

USDE Announces Interim Procedures for Applying for Economic Hardship Deferments for Peace Corps Volunteers

by David Rayborn

In a Dear Colleague Letter dated August 1998 (GEN-98-16), USDE announced that the Secretary will propose regulatory changes to FFELP, Federal Direct, and Federal Perkins Loan programs that will make it easier for Peace Corps volunteers who are not eligible for categorical loan deferments based on Peace Corps service to apply for economic hardship deferments. Categorical loan deferments are available to FFELP and Federal Direct Loan Program borrowers who received loans prior to July 1, 1993, and apply for Peace Corps service deferment. However, the Peace Corps has noted that borrowers who are not eligible for categorical loan deferment based on service in the Peace Corps do qualify for economic hardship deferments in the Title IV federal student loan programs because of the modest monthly allowances received by volunteers. Based upon current minimum wage rate and poverty line amounts, USDE has agreed with the Peace Corps that Peace Corps volunteers do qualify for an economic hardship deferment. USDE has acknowledged that the unique circumstances of Peace Corps assignments make it difficult for volunteers to apply for these deferments in accordance with current regulations and procedures. Therefore, the Secretary has proposed regulatory changes and, until these changes are finalized and become effective, the Secretary is waiving enforcement of the current regulations in this area. The Dear Colleague Letter announced interim procedures to be used by FFELP loan holders in granting economic hardship deferments to Peace Corps volunteers.

Under current regulations, borrowers who apply for economic hardship deferments are required to submit evidence showing their most recent total monthly gross income. Additionally, current regulations limit individual economic hardship deferments to periods of up to one year at a time. Peace Corps volunteers generally do not have documentation of the amount of their monthly allowance for living expenses prior to beginning their service. Because volunteers serve overseas, often in remote areas of underdeveloped countries, the current requirement that borrowers submit documentation of their most recent monthly gross income when applying for economic hardship deferments presents significant difficulties for many volunteers. Consequently, the Secretary has determined that it is appropriate and in the national interest to amend current regulatory requirements to make it easier for Peace Corps volunteers to apply for and maintain economic hardship deferments on their eligible federal student loans.

The interim procedures announced in the Dear Colleague Letter include the following:

- Effective immediately, a Peace Corps volunteer who wishes to apply for an economic hardship deferment may simply provide the loan holder with a signed and dated economic hardship deferment request form and documentation from the Peace Corps showing that the borrower will be serving as a Peace Corps volunteer. This documentation will be available to volunteers at their pre-departure Peace Corps orientation sessions so they will be able to apply for economic hardship deferments while still in the U.S.
- Acceptable documentation of Peace Corps service will be provided by a properly completed form from the Peace Corps that certifies the borrower's Peace Corps period of service, including the beginning and anticipated ending dates. This form must be signed and dated by a Peace Corps official.
- Loan holders are authorized to grant an economic hardship deferment to Peace Corps volunteers for the full term of Peace Corps service shown on the Peace Corps certification form, up to the statutorily mandated maximum of three years. Peace Corps volunteers normally serve for a period of 27 months. This modification of the current provision that limits individual deferments to periods of one year at a time will allow Peace Corps volunteers to receive economic hardship deferments for their full term of service without having to reapply each year from remote parts of the world.
- In some instances, a borrower who received a previous economic hardship deferment is not eligible to receive a subsequent economic hardship deferment for the full term of Peace Corps service. In these instances, loan holders are urged to offer a forbearance for the time needed for the completion of the Peace Corps term of service.

If you need additional information regarding the interim effects of this Dear Colleague Letter, call David Rayborn at (502) 696-7273 or (800) 928-8926, extension 7273.

Special Allowance Codes Announced

by David Rayborn

The USDE has announced the special allowance codes to be used for variable rate loans that were made on or after July 1, 1998, and before October 1, 1998. The codes are listed in the following chart:

Loan Type	Loan Status	Special Allowance Code
PLUS (TP)	NA	SH/XH
Stafford (TG/TU)	In-school, Grace, and Deferment	SJ/XJ
Stafford (TG/TU)	Repayment	SK/XK

Recently Declared Disaster Areas

by Anita Moore and David Rayborn

The USDE has advised guaranty agencies of a number of recently declared disaster areas by the Federal Emergency Management Agency (FEMA). Lenders are authorized to apply USDE's disaster-related forbearance policies to borrowers who are residents of counties declared disaster areas and are adversely affected by the disaster.

The disaster areas recently declared are listed in the following table. Those counties listed in bold letters indicate additional counties that have been added to previously declared disaster areas. The disaster declarations are listed alphabetically by state and include additional information regarding each declaration.

For additional information or copies of pertinent Dear Colleague Letters, call David Rayborn at (502) 696-7273 or (800) 928-8926, extension 7273.

Disaster Area	Disaster Letter	Notification Date	Disaster Date	Type of Disaster(s)	Designated Counties
Alabama	98-80	August 6, 1998	April 8-9, 1998	Tornadoes	Covington, **Cullman**, Jefferson, St. Clair, Tuscaloosa, and Walker **(Also see 98-40)**
Alabama	98-103	October 1, 1998	September 26, 1998	Hurricane	Baldwin, Clarke, Coffee, Covington, Crenshaw, Escambia, Geneva, Mobile, Monroe, and Washington
Florida	98-95	September 8, 1998	September 3, 1998	Hurricane	Bay, Dixie, Franklin, Gulf, and Wakulla
Florida	98-101	September 29, 1998	September 25, 1998	Hurricane	Monroe
Georgia	98-72	August 5, 1998	March 7, 1998	Flooding	**Bryan, Cobb, De Kalb, Effingham, Fulton, Gwinnett, Liberty,** and **Long (Also see 98-49)**
Iowa	98-87	August 20, 1998	June 13, 1998	Severe Storms, Tornadoes, and Flooding	**Cedar, Clayton, Franklin, Greene, Henry, Humboldt, Lucas,** and **Wright (Also see 98-85 and 98-69)**
Iowa	98-85	August 12, 1998	June 13, 1998	Severe Storms, Tornadoes, and Flooding	**Emmet, Kossuth, Webster,** and **Winnebago (Also see 98-69)**
Iowa	98-69	August 3, 1998	June 13, 1998	Severe Storms, Tornadoes, and Flooding	**Allamakee, Benton, Black Hawk, Buchanan, Butler, Calhoun, Clarke, Crawford**, **Davis, Fayette, Harrison**, **Jefferson, Lee, Linn, Madison**, **Mahaska, Monona, Osecola, Ringgold, Sac, Story, Tama, Warren**, and **Winneshiek (Also see 98-67)**

Disaster Area	Disaster Letter	Notification Date	Disaster Date	Type of Disaster(s)	Designated Counties
Iowa	98-67	August 3, 1998	June 13, 1998	Severe Storms, Tornadoes, and Flooding	**Adair, Appanoose, Buena Vista, Cerro Gordo, Clay, Clinton, Delaware, Des Moines, Dickinson, Floyd, Hancock, Palo Alto,** and **Pocahontas (Also see 98-61)**
Kentucky	98-79	August 5, 1998	April 16, 1998	Tornadoes	Adair, Barren, Bell, Casey, Clay, Floyd, Knott, Knox, Leslie, Metcalfe, Perry, **Pike,** Warren, and Whitley **(Also see 98-47)**
Louisiana	98-99	September 24, 1998	September 9, 1998	Severe Storms and Flooding	Cameron, Jefferson, Lafourche, and Terrebonne parishes
Massachusetts	98-71	August 5, 1998	June 13, 1998	Flooding	**Plymouth** and **Worcester (Also see 98-55)**
Minnesota	98-77	August 5, 1998	March 29, 1998	Tornadoes	**Blue Earth**, Brown, **Cotton-wood**, LeSuer, Nicollet, **Nobles,** and Rice **(Also see 98-29)**
New Hampshire	98-78	August 5, 1998	June 12, 1998	Flooding	Belknap, Carroll, Grafton, Hillsborough, Merrimack, and Rockingham.
New Jersey	98-83	August 6, 1998	February 4, 1998	Flooding	Atlantic, Cape May, and **Ocean (Also see 98-17)**
New York	98-97	September 21, 1998	September 7, 1998	Severe Storms and High Winds	**Cayuga, Fulton**, Herkimer, Madison, **Monroe, Oneida,** Onondaga, and Wayne **(Also See 98-96)**
New York	98-96	September 16, 1998	September 7, 1998	Severe Storms and High Winds	Herkimer, Madison, Onondaga, and Wayne
New York	98-64	July 22, 1998	June 25, 1998	Severe Storms and Flooding	**Genesee, Livingston,** and **Monroe (Also see 98-60)**
North Carolina	98-93	September 3, 1998	August 27, 1998	Hurricane	Beaufort, **Bertie, Bladen,** Brunswick, **Camden**, Cateret, **Chowan, Columbus, Craven, Cumberland,** Currituck, Dare, **Duplin, Greene,** Hyde, **Jones, Lenoir, Martin**, New Hanover, Onslow, Pamlico, **Pasquotank,** Pender, **Perquimans**, **Pitt, Robeson, Sampson, Tyrrell, Washington,** and **Wayne (Also see 98-89)**
North Carolina	98-89	August 28, 1998	August 27, 1998	Hurricane	Beaufort, Brunswick, Cateret, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, and Pender

Disaster Area	Disaster Letter	Notification Date	Disaster Date	Type of Disaster(s)	Designated Counties
North Carolina	98-82	August 6, 1998	March 20-21, 1998	Tornadoes	**Durham, Edgecombe, Lenoir, Nash,** Rockingham, **Wake,** and **Wayne (Also see 98-27)**
North Dakota	98-73	August 5, 1998	March 2, 1998	Flooding	**Cass, LaMoure,** and **Walsh (Also see 98-65) (Note: This DCL appears to mirror information received in Disaster Letter 98-66. Apparently a duplicate)**
North Dakota	98-66	August 3, 1998	March 2, 1998	Flooding	**Cass, LaMoure,** and **Walsh (Also see 98-65)**
North Dakota	98-65	July 22, 1998	March 2, 1998	Flooding	Barnes, Benson, Dickey, Nelson, Pembina, Pierce, Ramsey, Ransom, Richland, Rolette, Sargent, Stutsman, and Towner counties, and the Indian reservations of the Spirit Lake Sioux Tribe and the Turtle Mountain Band of Chippewa
Ohio	98-76	August 5, 1998	June 24, 1998	Severe Storms, Tornadoes, and Flooding	**Athens, Belmont, Coshocton, Franklin, Harrison, Jackson, Jefferson, Knox, Meigs, Monroe, Morgan, Morrow, Ottawa, Perry, Pickaway, Richland, Sandusky,** and **Tuscarawas (Also see 98-57)**
Pennsylvania	98-70	August 5, 1998	May 31– June 2, 1998	Tornadoes	**Beaver, Pike,** and **Susquehanna (Also see 98-53)**
Puerto Rico	98-100	September 28, 1998	September 20, 1998	Hurricane	Entire Commonwealth of Puerto Rico
South Dakota	98-74	August 5, 1998	April 25, 1998	Flooding	Brown, Clark, Codington, Day, Marshall, Roberts, and Spink
Tennessee	98-84	August 6, 1998	July 13, 1998	Severe Storms and Flooding	Lawrence and Lewis
Tennessee	98-81	August 6, 1998	January 6, 1998	Flooding	Carter, **Johnson,** Unicoi, and **Washington**
Texas	98-98	September 24, 1998	September 9, 1998	Severe Storms and Flooding	Brazoria, Galveston, and Harris
Texas	98-92	September 2, 1998	August 22, 1998	Flooding	**Kinney**, Maverick, **Real, Uvalde,** Val Verde, and **Webb (Also see 98-90, 98-88)**
Texas	98-90	September 2, 1998	August 22, 1998	Flooding	**Maverick (Also see 98-88)**
Texas	98-88	August 26, 1998	August 22, 1998	Flooding	Val Verde

Disaster Area	Disaster Letter	Notification Date	Disaster Date	Type of Disaster(s)	Designated Counties
U.S. Virgin Islands	98-102	October 1, 1998	September 20, 1998	Hurricane	All
Vermont	98-68	August 3, 1998	June 17, 1998	Flooding	**Caledonia, Essex,** and **Orleans (Also see 98-56)**
Virginia	98-94	September 8, 1998	August 28, 1998	Hurricane	The independent cities of Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach
West Virginia	98-75	August 5, 1998	June 26, 1998	Severe Storms, Tornadoes, and Flooding	**Cabell, Calhoun, Clay, Doddridge, Harrison, Lewis, Marion, Marshall, Ohio, Pleasants, Ritchie, Tyler, Wetzel,** and **Wirt (Also see 98-59)**
Wisconsin	98-91	September 2, 1998	August 5, 1998	Flooding	**Racine (Also see 98-86)**
Wisconsin	98-86	August 13, 1998	August 5, 1998	Flooding	Milwaukee, Rock, Sheboygan,

Common Manual Updates to be Mailed Separately

by David Rayborn

In recent months, numerous *Common Manual* policy updates have been approved for distribution. KHEAA usually distributes these policy updates by including them as inserts to the *KHEAA Newsletter*. However, because of the volume of recently approved updates, we have decided to send this information under separate cover. These updates will be forthcoming within a few weeks of the publication of this edition of the *KHEAA Newsletter*.

Corrected *Common Manual* Forms Provided

by David Rayborn

The July 1998 *Common Manual* update contained two forms, located in Appendix F, with errors. The errors involved the backs of the EDU and NEW EDU deferment forms. The backs of the two forms were inadvertently switched so that the back of the EDU form is really for the NEW EDU form and the back of the NEW EDU form is actually for the EDU form. Enclosed, as inserts to this edition of the *KHEAA Newsletter,* are corrected versions of these forms.

ACT Registration Deadline Dates Changed

by Susan Hopkins

It has come to our attention that the ACT registration deadline dates on page 9 of *Getting In* (Kentucky and Alabama editions) were changed after the publications had been printed. The new registration deadline dates are:

- September 18, 1998, for the October 24, 1998, test date.
- November 6, 1998, for the December 12, 1998, test date.
- January 4, 1999, for the February 6, 1999, test date.
- March 5, 1999, for the April 10, 1999, test date.
- May 7, 1999, for the June 12, 1999, test date.

Special Allowance Rates

for the quarter ending September 30, 1998

The average of the bond equivalent rates of the 91-day Treasury Bills auctioned during the quarter ending September 30, 1998, is 4.97%. Loans from the following categories are eligible for special allowance as shown for the quarter ending September 30, 1998.

For loans made prior to 10/1/81:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7%	.01500	.0037500
9%	.00000	.0000000

For:
- Federal Stafford Loans (subsidized) and fixed-rate Federal PLUS Loans made on or after 10/1/81 but prior to 10/17/86.
- Federal Stafford Loans (subsidized) and fixed-rate Federal PLUS Loans made on or after 10/17/86 but prior to 11/16/86 for periods of enrollment beginning prior to 11/16/86.
- Federal Consolidation Loans made on or after 10/1/81 but prior to 11/16/86.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7%	.0147	.003675
8%	.0047	.001175
9%	.0000	.000000
12%	.0000	.000000
14%	.0000	.000000

For:
- Federal Stafford Loans (subsidized) and fixed-rate Federal PLUS/SLS Loans made on or after 10/17/86 but prior to 11/16/86 for periods of enrollment beginning on or after 11/16/86.
- Federal Stafford Loans (subsidized) made on or after 11/16/86 but prior to 10/1/92.
- Federal Stafford Loans (unsubsidized, made pursuant to §428H of the Act) made prior to 10/1/92 for periods of enrollment beginning on or after 10/1/92.
- Fixed-rate Federal PLUS/SLS Loans made on or after 11/16/86 but prior to 7/1/87.
- Variable-rate Federal PLUS/SLS Loans made on or after 7/1/87 but prior to 10/1/92, *only* if the variable rate for each July 1–June 30 period reaches the statutory maximum of 12%.
- Federal Consolidation Loans made on or after 11/16/86 but prior to 10/1/92.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7.00%	.0122	.003050
8.00%	.0022	.000550
8.26%	.0000	.000300
8.41%	.0000	.000000
9.00%	.0000	.000000
10.00%	.0000	.000000
11.00%	.0000	.000000
12.00%	.0000	.000000
13.00%	.0000	.000000
14.00%	.0000	.000000

For:
- Federal Stafford Loans (subsidized) made on or after 10/1/92 but prior to 7/1/95.
- Federal Stafford Loans (unsubsidized) made on or after 10/1/92 but prior to 7/1/95 for periods of enrollment beginning on or after 10/1/92.
- Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/95 but prior to 7/1/98, *except* during the in-school, grace, and deferment periods.
- Variable-rate Federal PLUS/SLS Loans made on or after 10/1/92 but prior to 7/1/94, *only* if the variable rate for each July1–June 30 period reaches the statutory maximum of 11% (SLS) or 10% (PLUS).
- Variable-rate Federal PLUS Loans made on or after 7/1/94 but prior to 7/1/98.
- Variable-rate Federal PLUS Loans made on or after 7/1/98 but prior to 10/1/98. (Special allowance shall not be paid unless the calculated interest rate exceeds the 9% cap.)
- Federal Consolidation Loans made on or after 10/1/92.

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
6.00%	.0207	.005175
7.00%	.0107	.002675
8.00%	.0007	.000175
8.25%	.0000	.000000
8.26%	.0000	.000000
8.53%	.0000	.000000
9.00%	.0000	.000000
10.00%	.0000	.000000
11.00%	.0000	.000000
12.00%	.0000	.000000
13.00%	.0000	.000000
14.00%	.0000	.000000

For: Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/95 but prior to 7/1/98, *only* during the in-school, grace, and deferment periods:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7.66%	.0000	.000000

For: Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/98 but prior to 10/1/98, *only* during the in-school, grace, and deferment periods:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
6.86%	.0031	.000775

For: Federal Stafford Loans (subsidized and unsubsidized) made on or after 7/1/98 but prior to 10/1/98, *except* during the in-school, grace, and deferment periods:

Applicable Annual Interest Rate	Special Allowance at Annual Rate	Special Allowance for 3-Month Period
7.46%	.0031	.000775